

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 AID-20 XMB-07

TRSE-00 AGR-20 CIEP-02 OMB-01 L-03 NSC-10 FRB-02

COME-00 OPIC-12 CEA-02 CIAE-00 INR-10 NSAE-00 PA-04

RSC-01 USIA-15 PRS-01 SPC-03 IGA-02 /173 W

----- 050199

R 061100Z DEC 73

FM AMEMBASSY ISLAMABAD

TO SECSTATE WASHDC 2373

INFO AMEMBASSY ROME

AMEMBASSY PARIS

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, PK

SUBJECT: FY 74 PAKISTAN DEBT RESCHEDULING

REF: STATE 227320 (NOTAL)

SUMMARY: NEWLY APPOINTED DEPUTY SECRETARY, MOF (DEBT) RAZVI AND OUTGOING (NEW JOINT SECRETARY) BEG, DISCUSSED STATE OF PLAY IN PAKISTAN BILATERAL NEGOTIATIONS REGARDING FY 74 DEBT RESCHEDULING, INCLUDING GOP SCENARIO ON UPCOMING BILATERAL NEGOTIATIONS WITH U.S., AND OUTCOME BEG'S TRIP TO ROME AND PARIS. GOP INTERPRETATION MEMORANDUM AGREEMENT DIFFERS FROM USG INTERPRETATION. END SUMMARY.

2. EMBOFF AND AID OFFICER DISCUSSED WITH GOP WORKING LEVEL OFFICIALS, OVERALL STATUS OF PAKISTANI DEBT NEGOTIATIONS. BEG HAD JUST RETURNED AFTER BILATERAL NEGOTIATIONS IN ROME AND PARIS. HE NOTED THAT ITALIAN AND FRENCH AGREEMENTS FOLLOW SAME PATTERN. NINETY
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PERCENT OF THE VALUE (90 PERCENT IS PROPORTION OF THESE

CREDITS ACTUALLY GUARANTEED BY GOVERNMENT ENTITIES OF TWO LENDERS) OF ALL DEBT RELATING TO EAST PAKISTAN INCLUDED IN THIS YEAR'S DEBT RELIEF. TO COVER REMAINING TEN PERCENT, DEBT RELIEF OF THIS AMOUNT WEST PAKISTAN DEBT WAS INCLUDED IN AGREEMENTS.

3. BEG STATED THAT IN GENERAL CREDITORS HAD ACCEPTED ENTIRE PAKISTANI POSITION ON AMOUNT OF DEBT RELIEF, AND IDENTIFICATION OF CREDITS AS NOW BEING EITHER PAKISTANI OR BANGALI. BELGIUM, GERMANY AND NETHERLANDS HAD NOW SIGNED BILATERALS GRANTING AMOUNTS OF DEBT RELIEF APPROXIMATELY EQUAL TO AMOUNTS SPECIFIED IN ANNEX TO MEMORANDUM OF UNDERSTANDING BETWEEN CONSORTIUM AND PAKISTAN (JULY 31, 1973).

4. BEG AGAIN RAISED GOP INTERPRETATION OF MEMORANDUM OF UNDERSTANDING. GOP INTERPRETATION IS THAT ANNEX IS MEANT TO BE PERCENTAGE FORMULA RATHER THAN STATEMENT OF DOLLAR AMOUNT TO BE GIVEN BY USG AS ITS SHARE IN TOTAL CONSORTIUM PACKAGE. MISSION OFFICERS REPEATED TO BEG THAT THEY UNDERSTOOD US INTERPRETATION IS THAT ANNEX STATES DOLLAR AMOUNT OF RELIEF DUE FROM USG UNDER AGREEMENT, I.E., \$22.7 MILLION. \$73,944 MILLION IN ANNEX TO MEMORANDUM CONSIDERED TO BE SPECIFIC AMOUNT BY USG, SO THAT WHEN DEBT RELIEF ALREADY GIVEN PREVIOUSLY SUBTRACTED, REMAINDER DUE APPROXIMATELY \$22.7 MILLION.

5. RAZVI AND BEG POINTED OUT THAT MEMORANDUM OF UNDERSTANDING SAYS "APPROXIMATELY," AND STATED THAT THIS USE OF "APPROXIMATELY" COULD ACCOMMODATE GOP POSITION THAT USG SHOULD RESCHEDULE \$27.2 MILLION. MISSION OFFICERS REPLIED THEY UNDERSTOOD MEMORANDUM USE OF "APPROXIMATELY" WAS BECAUSE PRECISE AMOUNTS DUE UNDER ALL CREDITS ELIGIBLE FOR RESCHEDULING PROBABLY NOT AVAILABLE AT TIME MEMORANDUM SIGNED. THEREFORE "APPROXIMATELY" WAS USED TO PERMIT ONLY MINOR ADJUSTMENTS WHEN SPECIFIC CREDITS IDENTIFIED FOR BILATERAL RESCHEDULING. THEY ADDED THAT, OF COURSE, GOP COULD RAISE ITS INTERPRETATION OF AGREEMENT DURING COURSE OF NEGOTIATIONS EXPECTED TO BEGIN SOON IN WASHINGTON, BUT WE UNDERSTAND USG POSITION WITH REGARD LIMITED OFFICIAL USE

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\$22.7 MILLION TOTAL IS QUITE FIRM.

6. BEG STATED ONLY CANADA, UK AND US BILATERAL YET TO BE NEGOTIATED; JAPAN BILATERAL TO BE SIGNED THIS WEEK.

7. GOP OFFICIALS STATED THEY UNDERSTOOD THAT FOR INTERNAL USG REASONS, NEGOTIATIONS WOULD TAKE PLACE IN WASHINGTON, BUT THEY HOPED NEGOTIATORS WOULD USE U.S.

MISSION IN ISLAMABAD AS CHANNEL FOR PREPARING FOR SUCH
NEGOTIATIONS AND TO GENERALLY KEEP THEM
INFORMED BY ROADE

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Message Attributes

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Draft Date: 06 DEC 1973
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Disposition Action: RELEASED
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Disposition Date: 28 MAY 2004
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Disposition Reason:
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